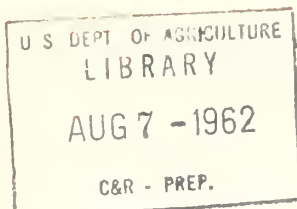


Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

A281.12
Ag 84F
cop 2

U. S. DEPARTMENT OF AGRICULTURE • ECONOMIC RESEARCH SERVICE • JUNE 1962 • FCR- 5



COSTS and RETURNS



**Commercial
Tobacco-
Livestock
Farms**

**Bluegrass Area,
Kentucky**

1961

This report is part of a continuing nationwide study of costs and returns on farms and ranches by type and size in some of the important farming regions of the United States, conducted under the general supervision of Wylie D. Goodsell, Farm Economics Division, Economic Research Service. Objectives, methodology, procedure, and terms are uniform for all areas covered in the study.

Publications in this series are:

Costs and Returns, Commercial Dairy Farms, Northeast and Midwest, 1961

Costs and Returns, Commercial Corn Belt Farms, 1961

Costs and Returns, Commercial Egg-Producing Farms, New Jersey, 1961

Costs and Returns, Commercial Cotton Farms, 1961

Costs and Returns, Commercial Tobacco Farms, Coastal Plain, North Carolina, 1961

Costs and Returns, Commercial Tobacco-Livestock Farms, Bluegrass Area, Kentucky, 1961

Costs and Returns, Commercial Wheat Farms, Plains and Pacific Northwest, 1961

Costs and Returns, Western Livestock Ranches, 1961

Summary statistics for all types of farms in the series are presented in the annual report, Farm Costs and Returns, Commercial Farms, by Type, Size, and Location, Agriculture Information Bulletin No. 230, Revised, 1962. In this annual report, information is given for 1961 with comparisons with 1960 and 1959, and with the period 1957-59.

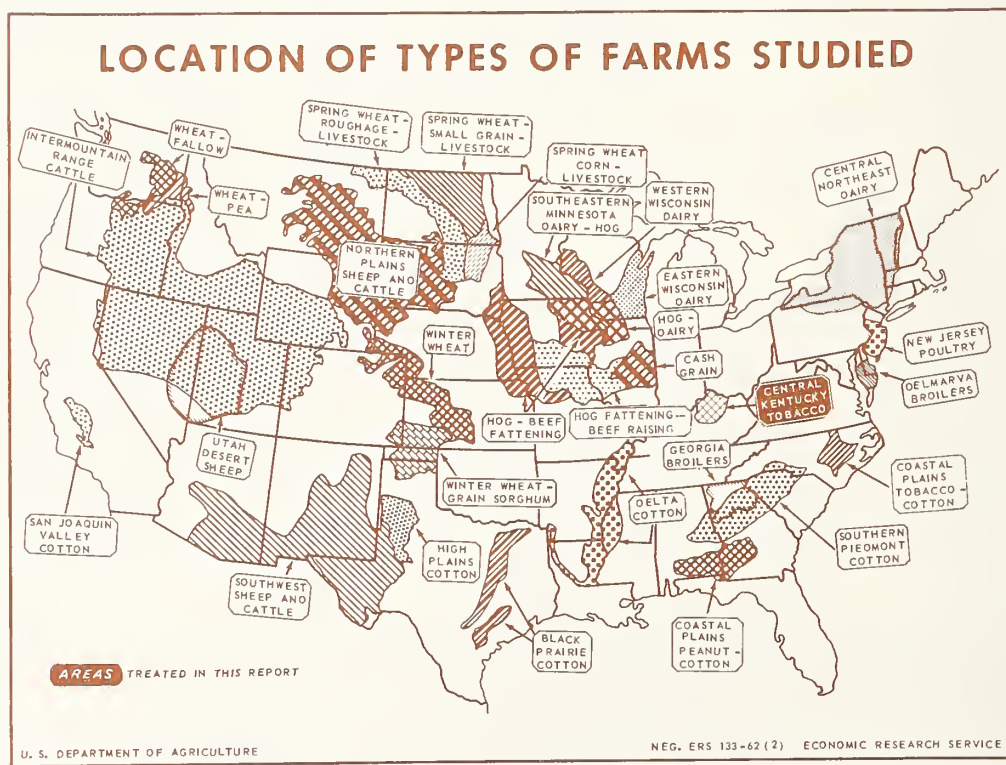


Figure 1.

COSTS AND RETURNS, COMMERCIAL TOBACCO-LIVESTOCK FARMS, BLUEGRASS AREA, KENTUCKY, 1961

Owen K. Shugars and John H. Bondurant¹

This report presents costs and returns for three types of tobacco-livestock farms in the Bluegrass area of Kentucky: (1) Tobacco-livestock farms in the Inner Bluegrass area, (2) tobacco-dairy farms in the Intermediate Bluegrass Area, and (3) tobacco-dairy farms in the Outer Bluegrass Area (fig. 1).

The farms studied are typical of farms of a common type and size in their respective areas (table 1 and fig. 2). On all three types, burley tobacco is produced in combination with one or more livestock enterprises. The typical farms in the Inner Area produce beef cattle (cow-calf plan), sheep, and hogs. The typical tobacco-dairy farms of the Intermediate Area sell ungraded milk to manufacturing plants; those in the Outer Area sell grade A milk.

Net farm incomes in 1961 were higher than in the previous year for all three types of farms (table 2). Increased production of tobacco and record high tobacco prices were major factors contributing to these higher incomes. Burley tobacco allotments were increased by 6 percent for 1961, and yields per acre of tobacco were only slightly below 1960 yields. The tobacco-dairy farms produced more milk in 1961 than in 1960, and had higher returns from the dairy enterprise. Operating expenses were higher in 1961 than a year earlier for the tobacco-livestock farms in the Inner Area and on the tobacco-dairy farms in the Outer Area, but were slightly lower than in 1960 on the tobacco-dairy farms in the Intermediate Area.

¹ Agricultural Economist, Farm Economics Division, Economic Research Service, USDA, and Professor of Agricultural Economics, University of Kentucky, respectively. The Kentucky Agricultural Experiment Station is a cooperator in the continuing study of costs and returns on tobacco-livestock farms in the Bluegrass area of Kentucky.

Table 1.- Size, Organization, and production, tobacco-livestock farms, Bluegrass Area, Kentucky, 1960 and 1961

Item	Unit	Tobacco-livestock farms, Inner Bluegrass Area		Tobacco-dairy farms, Intermediate Blue- grass Area		Tobacco-dairy farms, Outer Bluegrass Area	
		1960	1961 ^{1/}	1960	1961 ^{1/}	1960	1961 ^{1/}
Land in farm.....	Acre	212	214	113	114	130	132
Cropland harvested.....	do.	62	60	25	24	41	42
Crops harvested:							
Tobacco.....	do.	7.4	7.8	2.2	2.3	2.9	3.1
Corn for grain.....	do.	13.1	11.1	8.2	6.5	8.3	8.0
Corn for silage.....	do.	---	---	---	---	4.5	4.7
Small grains.....	do.	6.2	5.8	---	---	2.8	2.8
Hay.....	do.	35.3	35.6	14.6	15.6	22.5	23.6
Crop yields per harvested acre:							
Tobacco.....	Pound	1,734	1,720	1,617	1,605	1,720	1,705
Corn for grain.....	Bushel	66	69	50	60	58	66
Corn for silage.....	Ton	---	---	---	---	11.0	12.0
Wheat.....	Bushel	32	29	---	---	30	27
Hay.....	Ton	2.2	2.0	2.0	1.9	2.0	2.0
Livestock on farm, Jan. 1:							
Beef cows.....	Number	27.0	28.0	---	---	---	---
Milk cows.....	do.	---	---	10.2	10.2	16.4	16.6
Brood sows.....	do.	2.9	2.8	---	---	1.5	1.4
Ewes.....	do.	59.8	58.5	---	---	---	---
Milk production per cow.....	Pound	---	---	5,700	5,980	6,790	6,940
Total farm capital, Jan. 1.....	Dollar	98,880	100,170	21,740	22,130	40,460	41,250
Total labor used.....	Hour	4,600	4,680	3,500	3,510	4,590	4,690

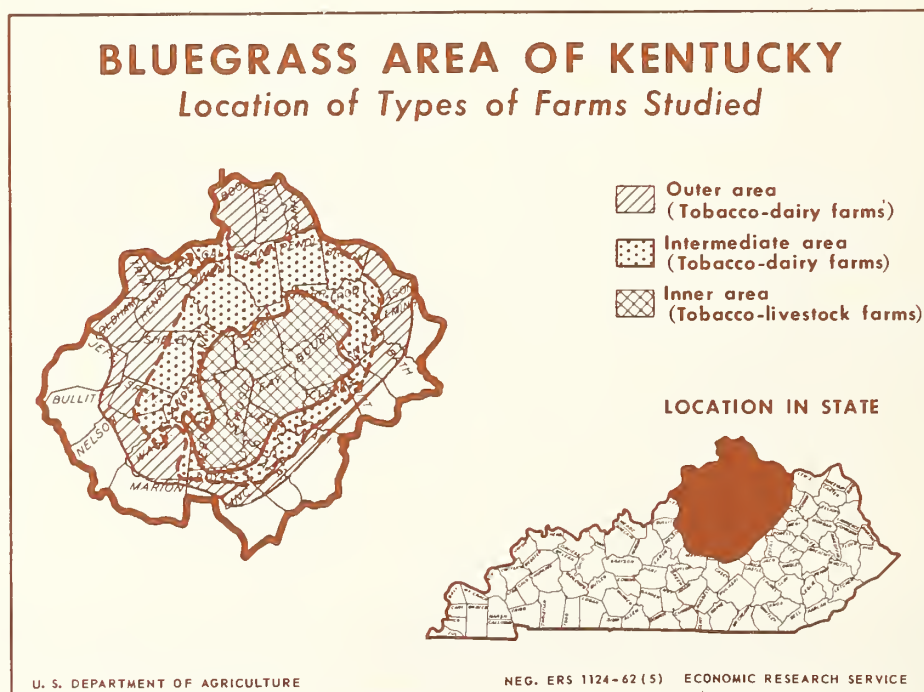
^{1/} Preliminary.

Figure 2

Tobacco-livestock farms, Inner Bluegrass Area

The average net farm income on the typical tobacco-livestock farms in the Inner Bluegrass Area was estimated to be \$7,451 in 1961, an increase of about 2 percent over 1960. Gross farm income was \$517 above the corresponding return in 1960, and operating expenses increased by \$384 (tables 3 and 4). Gross income increased chiefly because of increased tobacco production and higher prices received for tobacco. Operating expenses were above those of 1960 largely because more inputs were purchased in 1961, but prices paid for goods and services used in production were also slightly higher.

Average cash receipts from tobacco in 1961 exceeded those of the previous year by \$710 per farm. The acreage of tobacco was larger than in 1960 due to a 6-percent increase in allotments and a slightly larger size of farm. The yield per acre of tobacco was down slightly from 1960, but the added acreage was enough to increase production by 584 pounds per farm. Prices received for tobacco in 1961 averaged \$67.24 per hundred pounds, compared with \$64.77 in 1960.

In 1961, these farmers held down sales of cattle and calves to increase the size of their breeding herds. As a result, cash receipts from the sale of cattle and calves were below those of the previous year, but the

Table 2.- Income, costs, and related data, tobacco-livestock farms, Bluegrass Area, Kentucky, 1960 and 1961

Item	Tobacco-livestock farms, Inner Bluegrass Area		Tobacco-dairy farms, Intermediate Blue- grass Area		Tobacco-dairy farms, Outer Bluegrass Area	
	1960	1961 ^{1/}	1960	1961 ^{1/}	1960	1961 ^{1/}
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Gross farm income.....	15,418	15,935	5,199	5,493	9,820	10,753
Operating expenses.....	8,100	8,484	2,705	2,584	5,163	5,631
Net farm income.....	7,318	7,451	2,494	2,909	4,657	5,122
Index numbers (1957-59=100)						
Net farm income.....	103	105	99	116	102	113
Net farm production....	106	105	104	107	105	111
Operating expense per unit of production....	103	105	109	101	105	108
Prices received for products sold.....	99	101	102	104	101	103
Prices paid, including wages to hired labor..	102	103	103	104	104	104

^{1/} Preliminary.

Note: Information presented here is on an owner-operator basis primarily for comparability between types of farms. Net farm income is the return to operator and unpaid members of the family for their labor and management on the farm and return to total capital. No allowance has been made for payment of rent, interest, or mortgage.

Table 3.- Gross farm income, tobacco-livestock farms,
Bluegrass Area, Kentucky, 1960 and 1961

Item	Tobacco-livestock farms, Inner Bluegrass Area		Tobacco-dairy farms, Intermediate Blue- grass Area		Tobacco-dairy farms, Outer Bluegrass Area	
	1960	1961 ^{1/}	1960	1961 ^{1/}	1960	1961 ^{1/}
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Total cash receipts....	13,725	14,327	4,437	4,854	8,932	9,490
Tobacco.....	8,311	9,021	2,303	2,481	3,199	3,549
Cattle and calves....	3,192	3,068	553	625	1,007	948
Hogs and pigs.....	772	830	---	---	361	389
Sheep, lambs, and wool.....	1,193	1,105	---	---	---	---
Dairy products.....	---	---	1,484	1,612	4,264	4,505
Other, including Government payments..	257	303	97	136	101	99
Value of perquisites ^{2/} ..	1,398	1,412	598	600	876	885
Change in crop and livestock inventories..	295	196	164	39	12	378
Gross farm income.....	15,418	15,935	5,199	5,493	9,820	10,753

^{1/} Preliminary. ^{2/} The value of home consumption of garden products, crops, live-
stock, and livestock products produced on these farms plus a net rental value of the
dwelling.

Table 4.- Operating expenses, tobacco-livestock farms,
Bluegrass Area, Kentucky, 1960 and 1961

Item	Tobacco-livestock farms, Inner Bluegrass Area		Tobacco-dairy farms, Intermediate Blue- grass Area		Tobacco-dairy farms, Outer Bluegrass Area	
	1960	1961 ^{1/}	1960	1961 ^{1/}	1960	1961 ^{1/}
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Total cash expenditures..	8,120	8,482	2,770	2,523	5,196	5,741
Feed purchased.....	369	667	146	155	842	1,115
Livestock purchased....	969	917	20	22	---	---
Other livestock expense.....	188	194	79	80	173	176
Fertilizer and lime....	696	712	266	277	375	404
Other crop expense....	475	483	136	137	227	230
Machinery.....	1,900	1,932	1,196	1,132	2,036	2,125
Farm buildings and fences.....	846	840	443	227	537	596
Labor hired.....	1,705	1,730	156	156	457	524
Taxes.....	459	466	110	111	200	204
Other.....	513	541	218	226	349	367
Change in machinery and buildings inventories..	-20	2	-65	61	-33	-110
Total operating ex- penses.....	8,100	8,484	2,705	2,584	5,163	5,631

^{1/} Preliminary.

increase in inventory more than offset lower sales. Prices received for cattle, feeder calves, and yearlings in 1961 averaged about the same as in 1960.

Returns from hogs were a little higher in 1961 than in 1960. The number of sows farrowed declined from 1960, but in 1961 more pigs were saved per sow and prices received for feeder pigs and fat hogs were higher.

Production and sales of sheep, lambs, and wool were below 1960. The size of the sheep enterprise continued to decline in 1961, and prices received for sheep and lambs were lower than in 1960. Prices received for wool were unchanged from 1960, but with smaller flocks less wool was produced.

Operating expenses were higher in 1961 than a year earlier, mainly because of larger feed purchases. Fewer acres were devoted to the production of grain than in 1960, and more livestock was fed. Some of the reduction in grain acreage was due to participation in the Feed Grain Program. Largely as a result of the increase in tobacco acreage, expenditures were higher in 1961 than in 1960 for hired labor, power and machinery, and fertilizer. The index of prices paid for goods and services used in production (based on 1957-59=100) was 103 in 1961 compared with 102 in 1960.

Tobacco-dairy farms, Intermediate Bluegrass Area, Kentucky

Net farm income averaged \$2,909 in 1961 on tobacco-dairy farms in

the Intermediate Bluegrass area, an increase of nearly 17 percent from 1960. Incomes were higher because of higher prices received, greater production per farm, and slightly lower operating expenses.

Prices received for tobacco in 1961 averaged \$67.19 per hundred pounds, \$2.44 more than in the previous year. A slightly lower yield per acre was more than offset by a 6-percent increase in the 1961 acreage allotments, and tobacco production per farm increased by 135 pounds.

Milk production per farm increased from an average of 58,140 pounds in 1960 to nearly 61,000 pounds in 1961. The number of cows milked was the same in both years but production per cow was greater in 1961. Prices received for milk increased slightly in 1961. Prices received for cattle and calves were about the same as in 1960 but receipts from cull cows and calves were up due to a larger quantity sold.

As a result of farmer participation in the Feed Grain Program in 1961, Government payments were also above those of a year earlier.

Although prices paid for production goods and services in 1961 were at record high, operating expenses were less than in 1960. A small increase in tobacco acreage required more of some cost items, but the major production input for tobacco is man labor and these farmers keep hired labor expense

down by "swapping" work with neighbors. Outlays on farm buildings and fences were cut back in 1961 and the average diversion of 1.5 acres of corn per farm to the Feed Grain Program reduced inputs necessary for the crop. The net result of these changes was a reduction of \$121 in operating expense per farm.

Tobacco-dairy farms, Outer Bluegrass Area

In 1961, net farm incomes averaged \$5,122 for tobacco-dairy farms in the Outer Bluegrass Area, an increase of 10 percent from 1960. Operators of these farms continued to expand their operations in 1961. Acres per farm and size of the milking herd were both up from a year earlier. Increases in income resulted from record high prices of tobacco, larger tobacco acreage, larger milking herds, and steadily rising milk production per cow.

Prices received for tobacco on these farms in 1961 averaged \$67.14 per hundred pounds, \$3.00 per hundred above 1960. Tobacco acreage allotments were increased 6 percent for the 1961 crop and, as the average size of farm was slightly larger, tobacco acreage per farm was a little more than 6 percent above the 1960 acreage. Although the yield per acre of tobacco was slightly less than in 1960, the larger acreage in 1961 resulted in an average increase in tobacco production of 298 pounds per farm.

In 1961, 17.0 cows were milked per farm compared with 16.5 a year earlier, and milk production per cow increased by 150 pounds. Production of milk per farm in 1961 averaged 118,048 pounds, 5,947 pounds higher than in 1960.

Prices received for milk in 1961 averaged about the same as in 1960, but cash receipts from milk were up by \$241 per farm because of increased production. Even with the increase in tobacco acreage and the higher price received for tobacco in 1961, the dairy enterprise was the largest contributor to gross income. Receipts from the dairy enterprise on these farms averaged 57 percent of the total cash receipts in 1961.

Due to a larger farm operation in 1961, operating expenses were slightly higher than in 1960. Expenditures for most input items were not much higher than in 1960, but substantial increases occurred in expenditures for feed and for power and machinery. Higher feed costs resulted from heavier feeding as well as from increased average size of herd. Additional expenditures for power and machinery were related to expanding crop and dairy enterprises. The increase from 1960 to 1961 in operating expense was largely caused by increased purchases of inputs rather than by higher prices. While prices paid for some input items were higher in 1961, the overall average was the same as in 1960, 4 percent above the 1957-59 base period.